Landscapes of Foreclosure:
The Foreclosure Crisis in Rural America

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Abstract

As housing markets across the country continue to struggle to bounce back from the recent housing crisis, ever-increasing instances of foreclosures remain a daunting problem. While the situation in highly affected urban areas has received much attention, there has been a dearth and inconsistency in research on corresponding rural areas. While the forces commonly linked to the urban crisis such as widespread predatory lending, ballooned housing prices and excessive real estate speculation have affected some rural areas as well, overall the rural crisis is a unique, complex crisis all of its own. As the following analysis illustrates through the use of publicly available data, a survey and interviews, a clear and worsening problem exists in America's rural communities, and it is the goal of this paper to outline the workings of this rural crisis as much as the limited data availability allows. Further, the author makes the case that the crisis has exacerbated already difficult conditions in rural areas, and, while claims of a recovery begin to arise, in rural America, hopes of a quick recovery remain slim.

Contents

I. Introduction

As the nation's foreclosure crisis continues to wreak havoc on individual borrowers and entire communities throughout the country, policymakers and practitioners continue to research the inner workings of the crisis to understand and better predict the forces jeopardizing the stability of millions of American households. While billions of dollars have been allocated to unprecedented efforts to stave off further foreclosures, the outlook of the nationwide situation remains blurred. Specifically, the effect of the foreclosure crisis on rural America is particularly unclear.

Uncertainty about conditions in rural America is not unique to this crisis, because a substantial disconnect exists between most urban and rural areas. Due to lesser amounts of visibility, political influence and data accessibility, little is studied or widely reported of rural America. Accordingly, many urban Americans have loaded preconceptions of rural areas, generally falling into two frameworks: one of rural as the utopian, pastoral landscape, and the other of ailing, poverty-stricken communities (W. G. Kellogg Foundation 2002, 2). These two extremes fail to capture the complexities of rural life, and a greater national understanding of rural America is one goal of this paper.

Overall, this paper aims to explore the impact of the recent foreclosure crisis on rural areas. With limited data and research currently available on the topic, this paper seeks to act as a general resource to bring together elements of research relating to rural housing and foreclosure. Specifically, this paper aims to

1. Estimate the breadth and scope of foreclosures in the spectrum of rural areas,
2. Evaluate causes and solutions for mitigating rural foreclosures, and
3. Anticipate future problems and offer relevant policy recommendations.

This research was conducted with a number of challenges and limitations, most notably a lack of complete data on rural mortgage performance. While many credible indexes exist to measure the national housing markets, these datasets often claim to capture about 70 percent to 90 percent of the market, and the data omitted is often from rural locations. For example, RealtyTrac, a common source of foreclosure data, focuses on large, urban areas, and admittedly reports capturing only a fraction of rural foreclosures (Finn 2008). Research in Minnesota and West Virginia comparing RealtyTrac foreclosure counts to county records confirm this underreporting (Vergin 2008, 6; Long 2008). Thus, for this and other data sources, a difficulty in access to rural data has inhibited a more robust, quantitative analysis. Further, limits on time and scope exclude a number of additional topics either directly or indirectly linked to foreclosures, and in these instances a call for further research is noted.

II. Methodology

Research for this study was conducted during summer 2009 and draws from five sources of information: (1) site visits to six member offices of the NeighborWorks® Rural Initiative network as well as phone interviews to additional members of the Rural Initiative network and other rural housing researchers and practitioners; (2) an electronic survey distributed to 110 rural-serving NeighborWorks® Organizations (NWOs); (3) data analysis of publicly available foreclosure and loan data, in addition to some internal NeighborWorks® America (NWA) data; (4) a literature review of relevant topics in periodicals and academic journals; and (5) feedback from a policy briefing in Washington, D.C. and a presentation at the Rural Forum at the August 2009 NeighborWorks® Training Institute.

1. **Site visits and interviews.** Six site visits were conducted during summer 2009 to NWOs in Vermont, New York, Ohio, Indiana, Kentucky and West Virginia. Additionally, approximately 10 phone interviews were conducted with public, private and nonprofit practitioners and officials. A list of interviewees is included at the end of this paper.

2. **Rural Foreclosure Survey.** A 19-question electronic survey was distributed to 110 rural-serving NWOs and was returned by 81 respondents, a 74 percent response rate. The survey inquires about respondents' perceptions of the breadth of foreclosures in their service area, the causes of foreclosure, effective responses and strength of the housing market over a 2-year period.

3. **Data analysis.** National datasets used to understand the rural foreclosure crisis include the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program 2 (NSP2) dataset, the 2007 Home Mortgage Disclosure Act (HMDA) dataset, internal NWA data and other publicly available datasets. These analyses have been conducted by the author using SAS analytical software.

4. **Literature review.** A review of journal articles and publications on rural housing and lending trends contributed to this study as well. Research conducted by various rural housing advocates has proven particularly useful. Although limited and sometimes dated, these resources have been helpful for providing context to the current situation.

5. **Policy briefing and Rural Forum presentation.** Preliminary results of this study were presented at a policy briefing in Washington, D.C. in August 2009 and at the Rural Forum at the 2009 national NeighborWorks® Training Institute in Chicago, also in August 2009. Feedback from these meetings is incorporated in the report.

III. Defining Rural

Two major challenges in developing a greater scope of clear, consistent research on rural America are (1) the absence of a comprehensive and widely agreed-upon definition of what exactly is *rural*, and (2) once defined, a vast diversity of characteristics among rural areas. Without an accurate definition of *rural*, a cohesive, comprehensive body of work exploring and understanding rural America is difficult. Eighty percent of this country's land area and over 50 million of its people are in rural places (Isserman 2005, 476) and a more meaningful understanding of this contingency of the country would benefit the nation as a whole.

Existing Definitions

Rural areas differ greatly throughout the country, and while one can often recognize them when in a rural area, a concrete definition accurately capturing and measuring this sense has proven difficult. *Rural* can relate to many of a place's characteristics, including population size, proximity to a city, housing typology and density, resident demographics, primary industries, age of infrastructure, and form of local government. With so many factors to consider, a clear definition becomes difficult.

The four definitions of rural considered in this paper are those of the U.S. Bureau of the Census, the Office of Management and Budget (OMB), the U.S. Department of Agriculture (USDA) and professor Andrew Isserman. These four were chosen based on their use, logic and acceptance. The topic of defining rural has been the subject of entire papers,[1] and these four have been chosen only to concisely illustrate the complexity of the issue and to give context to the framework used for analyzing foreclosure data. A more extensive discussion of defining rural is beyond the scope of this paper.

The Census and OMB offer two of the most commonly used definitions. Beginning with a high-density urban core, the 2000 Census process identifies metropolitan areas based on population size and density. Metropolitan counties are based around a core group of census blocks with a density of at least 1,000 people per square mile, and include all surrounding census blocks with an overall density of at least 500 people per square mile (U.S. Census Bureau 2008). All areas not meeting these criteria are, by default, nonmetropolitan. The 2003 OMB definition builds on these criteria and incorporates economic integration, as measured by commuting patterns, breaking out micropolitan areas from the nonmetropolitan areas. Micropolitan areas contain an urban core with a population of at least 10,000, but less than 50,000, and adjacent counties meeting a commuting threshold of 25 percent of the working population. Under this definition, all areas not in a metropolitan or micropolitan area are considered noncore.

The other two definitions considered are the urban influence codes of the USDA and the rural–urban density typology of Isserman. In a response to growing regional economies, the USDA expands on the OMB definition with the Urban Influence Codes, which identify noncore counties adjacent to large metro, small metro and micro areas in order to further research on rural economic integration. Finally, the rural–urban density typology is the only definition created by a nongovernment agency. It was created by Isserman, a longtime researcher of rural areas at the University of Illinois, Urbana and, beyond population size and density thresholds, considers the *composition* of urban and rural places within a county. It is the only of these four definitions to address the mix of places within a county. A description of the four typologies can be found in Table 1.

[1] For an in-depth discussion of the topic, see Isserman 2005 and Cromartie and Bucholtz 2008.

Table 1: How the Different Definitions of "Rural" Affect Population Classifications

Typology	Criteria	Categories	Counties	Urban Population (millions)[a]	Rural Population (millions)[a]	Percentage of U.S. Rural
Census	Population size and density, based around Urbanized Areas and Urban Clusters	Metropolitan	1,089	202.4	30.2	51.1%
		Nonmetropolitan	2,052	20.0	28.9	48.9%
OMB, 2003	Population size and density, commuting patterns, based around an urban core	Metropolitan	1,089	202.4	30.2	51.1%
		Micropolitan	690	15.2	14.2	24.1%
		Noncore	1,362	4.8	14.7	24.8%
Urban Influence Codes	Population size and density, adjacency to and population of adjacent metro area	In large metro	413	138.1	11.2	18.9%
		In small metro	676	64.3	19.0	32.2%
		In micro	671	14.9	13.9	23.5%
		Adjacent to large metro	121	0.6	1.7	3.0%
		Adjacent to small metro	538	2.3	7.4	12.6%
		Adjacent to micro	399	1.1	3.4	5.8%
		Not adjacent	312	0.9	2.4	4.0%
Rural-Urban Density	Population size and density, mix of rural and urban places within county	Urban	171	122.9	3.0	5.1%
		Mixed urban	158	35.0	6.1	10.4%
		Mixed rural	1,022	57.7	28.7	48.6%
		Rural	1,790	6.7	21.3	36.0%

[a]Source: Isserman 2005

In considering the appropriate framework for the analysis of foreclosure data, the particular strengths and weaknesses of each definition were considered. Additionally, a visual analysis of maps of each definition were compared to a U.S. population density map and evaluated for similarity.[2] Consequently, the rural–urban density codes is the preferred typology for urban and rural areas for this paper. The typology's consideration of a county's composition of rural areas and its close resemblance to the U.S. population density patterns qualifies it as a suitable description of settlement patterns and confirms its applicability to housing research. Additionally, as acknowledged by the OMB itself, metropolitan areas should not be equated with urban and nonmetropolitan with rural, as is often done in rural research (OMB 2008, 2). However, when making comparisons to pre-existing research on rural areas that use the Census or OMB definitions, updated figures are offered in the same typology for accuracy of comparison.

Rurality as a Spectrum

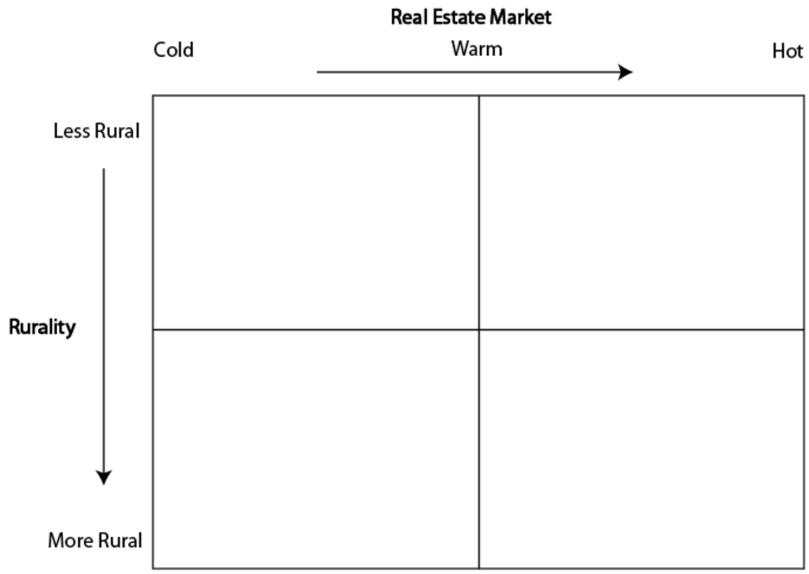
While the rural-urban density codes provide a useful perspective on the delineation of urban and rural, rural areas can still differ as much from each other as they do from urban counterparts. For this reason, when discussing the forces leading to foreclosure, the following matrix, interacting a place's rurality and the strength of its housing market, is used to illustrate trends in a range of rural areas.

Rurality is meant to be a conceptual tool, used for analytic purposes to encompass multiple factors definitive of rural areas, including population size, proximity to a city and economic integration. Additionally, the strength of a place's housing market is a measure of the demand for housing in the local market, largely a product of factors such as a proximity to jobs and amenities, quality of housing stock and community stability. Hot and warm housing markets are characterized by high property values, higher levels of homeownership, and strong demand for housing, while cold markets contain high levels of vacancies, deteriorated housing stock, and low demand for for-sale and rental

[2] See Appendix A for a visual representation of rural definitions.

housing. The matrix is shown below in Figure 1 and will be addressed again later in the analysis.

Figure 1: Rural-Urban/Housing Market Matrix



IV. Existing Rural Conditions

Before examining the details of the rural foreclosure crisis, it is important to first understand certain relevant conditions in rural America. An inherent characteristic of rural areas, deconcentration of the population, amounts to smaller markets for businesses and provides fewer incentives for a wide supply of industries, which presents fewer options for rural consumers. Thus, the intrinsic low-density population results in limited competition in rural communities, particularly in this case for loans, housing and employment. Rural America's unique housing and employment markets have influenced the causes and effects of the foreclosure crisis, and understanding this context is important for grasping the causes behind foreclosures in rural areas.

Lending

Lending Channels

While a variety of lending options for residential mortgages do exist in rural areas, overall, the rural lending options have been found to be more limited than urban channels. The most recent available study on the subject, from the Economic Research Service (ERS) branch of the USDA, found that rural counties have an average of 4.33 banking firms compared to 10.90 in urban counties (Milkove 1993, 53). The fewer number of rural banks still seem to provide a sufficient degree of credit, however, because the Housing Assistance Council (HAC) reports that, "as of mid-2008, nonmetro banks have tightened credit far less than metro banks, particularly for loan applicants whose credit standing is good" (HAC 2009, 3).

Regarding the character of the available rural banks, from an outside perspective, one might imagine rural lending as revolving around a single or handful of hometown or regional banks; however, the rural lending landscape of today has changed dramatically along with the rest of the nation. While data on small town banking is lacking, the trend of consolidation in the banking industry has resulted in many community banks being either closed or bought out by nationwide banking firms. Outside ownership provides additional resources to support capitalizing small communities, though it also can replace local practices such as character lending with more rigid national standards on underwriting. Some areas do still report a strong network of hometown community banks, however, such as areas of Kentucky and West Virginia that are less integrated with a metro area.

Additionally, Community Development Financial Institutions (CDFIs) have a strong presence in rural areas, with approximately 320 offices serving rural areas, 32 percent of all CDFIs in the country (CDFI Coalition 2007, 2). The CDFI Fund is a program of the U.S. Treasury Department whose mission is to extend credit, capital and financial services to underserved populations in the United States and thus plays a particularly strong role in rural areas.[3]

In regard to loan offerings, federally insured mortgage products play a significant role in rural America. According to the most recent nationwide dataset reported by lending institutions in accordance with HMDA, in 2007 there were more than 270,000 mortgages insured by either the FHA, Veteran's Administration (VA), the Farm Service Agency (FSA) or Rural Housing Service (RHS) in nonmetropolitan counties, accounting for 7 percent of total nonmetropolitan mortgages, as compared to 5.4 percent of all metropolitan mortgages.[4] While many rural residents are able to take advantage of federal loans, some still do not qualify for FHA loans due to poor credit or low income. In response, the USDA Rural Development agency services supplementary low-interest and down payment loans to another 340,000 rural borrowers (Herron interview 2009).

Rural Subprime Lending

A major focus of the nationwide foreclosure crisis has been on subprime mortgages, or riskier loans offered at a higher cost to the market of mortgagors with damaged credit. A common misconception is that subprime lending is a phenomenon unique to low-income urban areas. On the contrary, subprime lending plays a large role in many rural areas as well. A HAC publication explains that "the distinct set of credit issues in rural areas result in far less access to prime credit markets than in urban areas" (HAC 2004, 7).

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[3] For more information on CDFIs see their Web site www.cdfifund.gov.

[4] An important note regarding HMDA data is that reporting regulations require data only from banks that have a branch in a metro area or hold more than $37 million in assets. Thus, many rural small banks are excluded form the data. However, these small banks represent only a small share of the total market, and the HMDA data is still regarded as one of the most complete datasets on mortgage transactions.

Additionally, a study in Maine's urban and rural markets by Coastal Enterprises, Inc. and the Center for Responsible Lending (CRL) in 2005 found that while only 42 percent of Maine's population is rural, 52 percent of the Maine subprime originations were found in rural areas (Dickstein et al. 2006, 11).

Although subprime mortgages have recently been associated with predatory or exploitive practices, many rural subprime loans are critical extensions of credit to needy borrowers. However, that is not to say that predatory lending does not occur in rural areas. A 1999 Joint Center for Housing Studies (JCHS) study finds that "individuals and communities that have few lending options are vulnerable to predatory products" (Goldstein 1999, 33). Another study, conducted by CRL in 2004, concludes that rural borrowers are more likely to have prepayment penalties, a characteristic of predatory loans, for refinancing on their subprime home loans (CRL 2004, 1). Aggressive, if not predatory, lending tactics have been anecdotally reported by rural NWOs, as well, and will be further explored in the context of the rural foreclosure crisis.

Rural Minorities

A critical topic in this discussion is the role of race in rural foreclosures. While not perceived as such, rural America is actually estimated to be only slightly less diverse than urban areas (Davis 2005), with increasing numbers of minority populations in recent years, primarily Hispanic residents. Rural minorities are considered to be among the poorest groups in the country, and low incomes and substandard conditions are common. In fact, minorities are more likely to live in substandard housing in nonmetro areas than metro areas (HAC 2009, 2). Further, predatory lending practices are prevalent in rural minority communities. A study comparing high-cost loans by race in metropolitan and nonmetropolitan areas showed that rural African-American borrowers were more likely than white borrowers to receive a high-cost loan in 2006, regardless of income (National Community Reinvestment Coalition 2008, 19). While this is a discouraging trend deserving of attention in policy considerations, a deeper analysis is beyond the scope of this paper.

Housing

Homeownership

Consistent with many perceptions of what rural means, a higher percentage of housing units are owner-occupied in nonmetropolitan counties as compared to metropolitan counties according to the 2007 American Housing Survey (AHS), at 76 percent and 66 percent respectively.[5] This disparity between rural and urban homeownership rates comes from a variety of factors, including a difference in cultural attitudes toward housing, the inherent low-density landscape of rural areas, a smaller supply of multiunit housing and a cheaper availability of land. This increased prevalence of homeownership in rural areas

[5] For more data from the 2007 AHS, visit the Census' 2007 AHS Web site at http://www.census.gov/hhes/www/housing/ahs/ahs07/ahs07.html.

results in a wider spectrum of residents who seek homeownership, and, consequently, many rural homeowners who have very low incomes as well.

Housing Stock

The housing stock itself varies as greatly as the character of rural areas, but two common trends are that (1) it is overwhelmingly comprised of single-family homes; and (2) a higher percentage of the stock is in substandard condition compared to metropolitan areas. To this first point, according to the 2007 AHS, 83 percent of occupied housing units in nonmetropolitan areas were single-family detached homes, excluding manufactured housing, compared to a nationwide rate of 69 percent.

Regarding substandard housing, according to an HAC study, 5.4 percent of rural homes are either moderately or severely substandard, at a slightly higher rate than metropolitan rates (HAC 2009, 2). This is potentially due to a few features of rural areas, including fewer code enforcement efforts, fewer turnovers in owners and less disposable income available for rehab. Additionally, renter-occupied households in rural areas are twice as likely to live in substandard housing than owner-occupied households and over half of all rural households with multiple housing problems (quality, crowding, affordability) are renters (HAC 2009, 1).

Manufactured Housing

A segment of the rural housing market unique to rural areas is a large contingency of manufactured homes. The term manufactured housing refers specifically to a home designed according to the 1976 HUD Manufactured Home Construction and Safety Standards, and is built in a controlled environment and transported in one or more sections on a permanent chassis. Alternatively, the term "mobile home" refers to similar homes built before the 1976 standards. Manufactured homes are found primarily in rural areas and are estimated to make up at least 15 percent of rural housing units (HAC 2005, 1). Loans reported to HMDA in 2007 measure 9.5 percent of all loans originated in nonmetropolitan counties for the purchase of a manufactured home, in contrast with 1.7 percent of loans in metropolitan counties.

Manufactured housing plays a particularly important role in rural housing, as it is a financially viable option for many low-income rural residents. The average price of a manufactured home in 2008 was $64,900 (U.S. Census Bureau 2009), whereas the 2008 average national median home sale prices was higher than $200,000 (National Association of Realtors 2009). Additionally, some manufactured homes are renter-occupied and are among the cheapest housing options available.

However, despite the low purchase prices, the financing of a manufactured home presents certain problems. Since most manufactured housing is constructed off-site, an owner may locate the home on land that is purchased or rented within a manufactured home community. Because many conventional real-estate mortgages require that a home be placed on a permanent foundation, the most common method of financing a manufactured home is through a retail installment contract, which lacks certain consumer protections extended to mortgagors. In fact, in 2008, 72 percent of new manufactured homes were not titled as real estate, and were either titled as personal property or not titled (U.S. Census Bureau 2009). A consequence of this loan structure is that homeowners are not protected with foreclosure proceedings in the event of a payment default, and can result in immediate repossession of the home.

Manufactured home loans have high incidences of high costs, as well. According to a HAC study of 2005 HMDA data, "46% of home purchase originations for rural manufactured homes were high cost compared to 24% of those for buildings with one to four units" (HAC 2009, 4). HAC in an earlier paper points to "one-stop" dealers offering higher, unchallenged rates as a partial reason for the traditionally higher interest rates on manufactured home mortgages (HAC 2005, 9).

Rural Economies and Employment

Poverty and Affordability

Rural areas house some of the poorest people in the country and face a number of income and affordability issues. In regard to deep poverty, the Rural Poverty Research Center notes that of the 382 persistent poverty counties in the country, defined as having a 20 percent poverty rate for each census from 1960 through 2000, 95 percent are rural (Miller and Weber 2003, 1). Further, the same study shows that poverty rates increase as counties move farther from metropolitan areas. In all, using the Isserman typology to look at Census poverty estimates for 2007, some 15 percent of all residents in rural and mixed rural counties are below the poverty line, as opposed to about 10 percent in urban and mixed urban counties.[6]

In addition to the devastatingly poor areas, widespread cost and affordability issues exist for rural residents. Using county-level data from the 2007 American Community Survey,[7] average median household incomes in rural and mixed rural counties were $39,601 and $42,575 respectively, whereas urban and mixed urban counties had median household incomes of $62,009 and $58, 212. While rural areas typically have lower costs of living than more urban settings, this is not always true. HAC finds that 3 out of 10 rural households pay more than 30 percent of their monthly income on housing costs and are considered "cost-burdened" (HAC 2009, 1). Despite lower costs of housing, low incomes and high costs in transportation and other living expenses present many rural homeowners with severe affordability issues.

Rural Employment and Unemployment

In rural America, employment, or, more commonly, "work," has historically been tied to a high number of manufacturing jobs, which in recent times has been shrinking, due to the recession and a general decline in American manufacturing. According to the Bureau

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[6] Data downloaded from http://www.census.gov/hhes/www/poverty/poverty.html.

[7] Available from the U.S. Census Bureau's American FactFinder at http://factfinder.census.gov/home/saff/main.html?_lang=en.

of Labor Statistics (BLS), industries with the highest unemployment rates in July 2009 were, in descending order: construction; agriculture; leisure and hospitality; manufacturing; and mining, quarrying, and oil and gas extraction (BLS 2009). Of these hardest hit industries, many are major employers of rural residents. Other industries hit hard by the recession that employed rural residents are the auto and recreational vehicle manufacturing industries, which have experienced serious contraction, as well as service jobs for small businesses struggling to stay open. With many rural areas contingent on single employers for jobs, as job losses continue, more and more rural Americans are finding it harder to find new jobs to replace lost ones.

Unemployment has traditionally been and continues to be a major issue in rural areas. In 2008, categorizing by the Isserman definition, annual county unemployment averages reported by BLS were highest in rural counties (6.1 percent), followed by mixed rural (6.0 percent), urban (5.7 percent), and mixed urban (5.5 percent). In fact, looking at unemployment trends in the past 10 years by the Isserman definition, rural and mixed rural counties' unemployment rates are higher than urban and mixed urban counties for every year.[8]

Employment in rural areas is also unique to the lifestyle. A variety of rural industries, including tourism and manufacturing, fluctuate their employed numbers seasonally, and because of this, a common rural lifestyle includes working a variety of jobs year round and collecting a staggered income accumulated throughout the year. Often, rural workers rely on all of these jobs to meet their financial obligations. For this reason, *under*employment is a major problem in rural America, as well. Because many workers hold multiple jobs of which the sum supports them financially, losing any piece of this aggregate income can be damaging.

V. The Rural Foreclosure Crisis

The current foreclosure and larger financial crisis beginning with the bursting of the housing bubble has touched all areas of the country. Much research has since been published analyzing the causes and effects of foreclosure, the severity of the problem, and the areas of greatest need; however, this research has remained focused on the perceived core of the foreclosure crisis, urban and suburban areas. The national attention given to rural foreclosures thus far has lacked a clear conclusion; some sources report a lessened effect on rural areas as others describe an unseen or looming problem. The following section seeks to answer these questions by measuring the severity of the problem and exploring the causes, impacts of and responses to foreclosures in rural areas.

Manufactured Homes, Farms, and Exurbs

As described earlier, the nature of financing for the purchase of manufactured homes often involves a consumer loan, and, therefore, mortgage data only partially captures the performance of loans for manufactured housing. Payment defaults on consumer loans for

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[8] County-level unemployment data available at http://www.bls.gov/lau/.

manufactured housing do not result in foreclosure, and are not included in the foreclosure estimates below. Thus, with manufactured housing representing upwards of 20 percent of rural units, the following foreclosure rates will actually understate the breadth of rural housing problems. Further, the occurrence of foreclosures on rural farms have not been explored, because a variety of factors including agricultural technological advances and farm consolidation have influenced the state of farms in recent decades and warrant a degree of research beyond the scope of this analysis.

Finally, a particularly hard hit segment of the American housing landscape has been the exurbs, or areas of extended metropolitan development beyond the suburbs. Exurbs, or new communities, often take the form of single-family subdivisions and many across the country, particularly in the overspeculated markets of Arizona, California and Florida, face high numbers of foreclosures and vacancies. While these and other exurbs present interesting examples of concentrated foreclosures in rural areas, the problem of overbuilding is considered a product of the urban crisis, and is inconsistent with the rest of the crisis in rural America. Thus, the subject of exurban foreclosures is not further considered in this study.

Magnitude and Scope

The urban crisis has been perceived as much more severe than any comparable rural crisis for a variety of reasons. First, the urban crisis is more measurable, as data is more easily collected and accessed. Second, apart from the data, a visual analysis of both urban and rural areas shows an obvious problem in urban areas. Clearly, entire city blocks of vacated row houses make for a much clearer picture than any that could be provided by sporadic boarded-up single-family homes half a mile apart. However, it is still possible that a problem just as serious lurks but is simply obscured by rural America's low-density housing. This section aims to describe the situation and, through available national datasets and conversations with practitioners in the field, uncover the true magnitude and scope of foreclosures in rural areas.

From the Data

The primary dataset used in the following analysis is from HUD's Neighborhood Stabilization Program (NSP), and was used to calculate formula grants for the second round of NSP funding.[9] The HUD NSP2 data was chosen for this analysis because it is widely considered the most comprehensive national dataset on foreclosures and was determined to be the best available data to look at the problem on a national scale. Data is aggregated at the county level and includes information on actual foreclosures, total mortgages, home vacancies, high cost loans and unemployment, and it calculates an

[9] The HUD NSP data draws from public data sources, including data from the Mortgage Bankers Association National Delinquency Survey, the American Community Survey for total mortgages, HMDA for high loan information, the Bureau of Labor Statistics for unemployment figures, and the U.S. Postal Service for vacancy data. For more information on the HUD NSP dataset, please visit http://www.huduser.org/Datasets/nsp.html.

estimated number of foreclosures as a function of these inputs in order to best assess an area's need of assistance. The data, released in May 2009, ranges from 2007 through June 2008, and uses data from this time period to estimate the current number of foreclosures. For the analysis, each of the 3,143 U.S. counties and county equivalents were attached with its coding of each of the four urban-rural definitions described in part III.

Table 2: County Foreclosure Rates by Rural-Urban Type

Character	Counties with high foreclosure rate*	Total counties	% Counties high rate
Rural	940	1,789	52.5%
Mixed Rural	388	1,021	38.0%
Mixed Urban	45	156	28.8%
Urban	67	172	39.0%

*10% or higher

To begin, the nationwide foreclosure rates, as calculated by the estimated number of foreclosures in the time period divided by the total number of mortgages, are higher in rural counties than urban for any definition of rural apart from the Census (Table 2).[10] Three out of the four definitions measure the urban rates at roughly 10 percent and rural as slightly higher. Under the Isserman definition, the four county typologies in decreasing order of foreclosure rates are mixed rural (11.1 percent), urban (10.8 percent), mixed urban (10.4 percent), and rural (10.4 percent). Thus, when looking at national averages, rural areas show comparably high average foreclosure rates as urban in this time period.

Table 3: Foreclosure Rate by Differing Rural Definitions

Definition	Rural	Urban
Census	10.0%	10.9%
OMB	10.6%	9.8%
Urban Influence	10.6%	9.8%
Rural-Urban Density	10.2%	9.3%

Looking at the *scope* of the problem in urban and rural areas, the percentage of counties with foreclosure rates above 10 percent shows that rural areas have the highest percentage of counties with high foreclosure rates. Table 3 shows that the problem is affecting a greater breadth of rural communities than urban.

Looking closer at the national landscape within the NSP2 data, an examination of the worst hit counties in the country reveals that, of the 20 counties with the highest estimated foreclosure rates, only five are urban or mixed urban (Table 4). While sheer numbers of foreclosures are surely higher in the urban counties, it is a bit shocking to see rural areas of the country actually having higher foreclosure rates than the areas considered to be "ground zero" for the crisis: areas of Florida (#7, #11, #13), Detroit

[10] Specifically, for each definition, "rural" is defined as rural and mixed rural counties (rural–urban density), counties adjacent to and not adjacent to metropolitan areas (urban influence), nonmetropolitan areas (Census), and noncore areas (OMB).

(#15), and California (#16). Arguably, the massive concentration of vacancies in these urban areas is considered the harshest result of the crisis, but one must not forget the relative *impact* of an additional foreclosure on an urban or rural area, a topic that will be addressed later in this section.

Table 4: Top Counties by Foreclosure Rate

	County	Character	Estimated Foreclosure Rate
1	Todd County, SD	Rural	31.3%
2	Imperial County, CA	Mixed Rural	30.5%
3	Merced County, CA	Mixed Rural	28.2%
4	Shannon County, SD	Rural	27.9%
5	Jenkins County, GA	Rural	27.3%
6	Osceola County, FL	Mixed Rural	27.0%
7	Lee County, FL	Mixed Urban	26.8%
8	Elliott County, KY	Rural	26.7%
9	St. Bernard Parish, LA	Mixed Rural	26.6%
10	Noxubee County, MS	Rural	26.6%
11	St. Lucie County, FL	Mixed Urban	25.1%
12	Knott County, KY	Rural	24.7%
13	Miami-Dade County, FL	Urban	23.9%
14	Riverside County, CA	Mixed Rural	23.6%
15	Wayne County, MI	Urban	23.5%
16	San Joaquin County, CA	Mixed Urban	23.5%
17	Stanislaus County, CA	Mixed Rural	23.3%
18	Allendale County, SC	Rural	23.1%
19	Fayette County, OH	Mixed Rural	23.0%
20	Bent County, CO	Rural	22.7%

Note: Counties with fewer than 100 mortgages excluded.

From the Field

Although they are a helpful piece of the puzzle in understanding the foreclosure crisis, these and any data have limitations. The foreclosure rate calculated by HUD is estimated, for one, and, additionally, the foreclosure process is a time-consuming, complicated process that differs from state to state and is difficult to capture at a single moment in time. The rate is an educated guess, and the main lesson to learn from the data is that, whether worse, as bad as or less severe than the urban crisis, rural foreclosures exist at comparably high rates as urban. Thus, a correspondence with a network of rural-serving CDCs has provided context to these figures.

First, the Rural Foreclosure Survey completed by 81 NWOs in summer 2009 provides insight into how practitioners in the field view the magnitude of rural foreclosures. Comments from a free-response question in the survey begin to add a picture to the numbers. NCALL, serving Dover, Delaware, writes, “Our foreclosures continue to increase. 2007 saw about 2,000. 2008 saw about 4,000. We have 1,500 foreclosures the first quarter of 2009, which could pan out to be 6,000 or more for 2009. Every month so far, we see record numbers of inquiries and new clients." NeighborWorks® of Western Vermont also reported drastic increases in foreclosure activity in a July 2009 interview, claiming that calls to their offices rose from 20 in all of 2007 to 138 for 2009 by the middle of May.

Questions in the survey confirmed this, which addressed foreclosure rates in the NWOs' service area over the past 2 years. The most popular combination of choices with 17 percent of all respondents was that foreclosure rates have been consistently increasing for the past 2 years and continue to increase. The second most common pattern with 14 percent of respondents was that foreclosure rates 2 years ago were on par with previous years, but have been increasing since then. The remaining responses indicated varying rates, and only two respondents (2 percent) indicated that foreclosure rates decreased in the past 6 months.

Causes

According to the data and anecdotes, it appears evident that a problem exists in rural areas at least comparable to that in urban, and it becomes important to look at the causes in order to understand the situation and prescribe appropriate solutions. As mentioned earlier, the rural crisis is a complex one and includes multiple forces acting in varying strengths in different types of rural areas. In this section, foreclosures will be looked at first according to perceived causes, and second, according to geographic groupings. National data correlating foreclosures with specific causes are nonexistent, and most observations in the following section are garnered from the Rural Foreclosure Survey, interviews with NWO directors and use of some internal NWA data.

Lending

The urban foreclosure crisis is largely perceived to have been heavily related to a surge in subprime lending. This factor has had considerable attention; however, there still has been much confusion about how geographically far predatory lenders ventured. According to conversations and feedback from rural representatives, predatory lending has been evident in some rural areas.

According to Dave Vaughan of Neighborhood Development Services (NDS), which serves the northeastern counties of Ohio, including counties adjacent to Akron and Cleveland, the typical homeowner facing foreclosure in the past had been someone who had owned their home for about 7 years and had fallen behind for other reasons. Currently, however, there has been a sharp increase in foreclosure counseling for owners who had refinanced about 2 to 3 years ago. Similarly, Housing Resources of Western Colorado indicated an influence of predatory lending on refinance loans in a comment from the survey:

> *Serial refinancers are in dire jeopardy due to pulling out all equity of home and finding themselves in unmanageable mortgage payments. The very hot real estate*

market ending last year created too many incentives for greedy mortgage originators to aggressively market refi opportunities.

Interviews in Western Vermont and Indiana also reported instances of predatory lending. Overall, while difficult to measure, predatory mortgage lending is reported to account for increasing levels of foreclosure in certain areas.

Subprime lending extends credit to many families in a market that is otherwise underserved, and predatory lending makes up only a portion of the subprime industry. Lamar Davis from Community Ventures Corporation reports that some residents of Kentucky have defaulted on a refinance loan but that these loans are often originated from local banks and make up only a small percentage of all foreclosures. Finally, Ronald Knott, Associate Director of Homeownership and Lending Services in South Paris, Maine, explains that “Foreclosures happening here typically are not because a homeowner stretched to afford a house. Many times it’s because other debts piled up and up and the only way out seemed to be a refinance and the loan was wrong for them” (Dangler 2008, 15). Thus, refinance loans, both predatory and not, have seemingly played a large part in rural foreclosures.

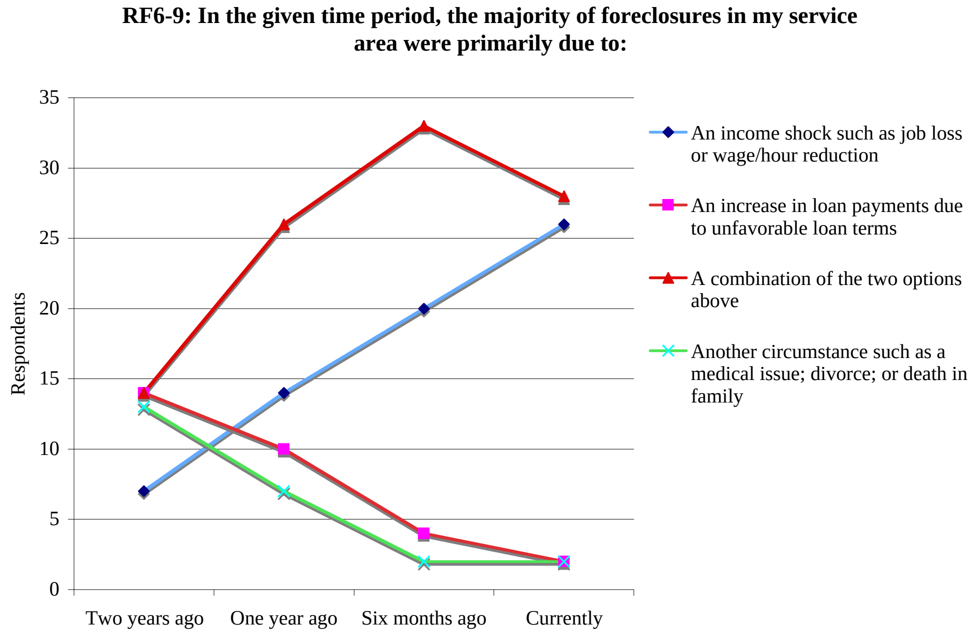
Additionally, the resulting credit crunch has also taken its toll on rural America. Where already thin credit markets existed, even further reductions in lending occur. The Steuben Churchpeople Against Poverty, Inc. servicing central New York note:

> *Many homeowners seem to have made it a regular practice in recent years to refinance their mortgage and pull out equity to pay consumer debt or taxes. With the financial crisis and the stricter lending guidelines, they no longer have that option. As a result, they can no longer borrow their way out of financial problems, so they have fallen behind on everything.*

Unemployment/Underemployment

A worsening and continuously looming factor in the foreclosure crisis is the effect of the deep contraction in the economy on workers. As national foreclosure rate rise toward 10 percent, rural areas have been hit particularly hard due to a string of layoffs by manufacturers and a reduction in wages and hours throughout a number of rural industries. According to the Rural Foreclosure Survey, the selection “An income shock such as job loss or wage hour reduction” became an increasingly more common choice as the largest cause of foreclosure from two years ago to July 2009 (Figure 3).

Figure 3:



Source: Rural Foreclosure Survey.

Comments from the survey indicated a growing instance of unemployment-related foreclosures as well. From Community Service Programs of West Alabama, Inc.:

> *Foreclosures in the West Alabama area have been impacted more from the economic conditions and raising unemployment rather than risky loan terms. Employment in the area is experiencing the resulting ripple effect of the economy. Also, the Mercedes Benz factory and supporting ancillary suppliers have reduced hours and production. With a limited ability to repay mortgages, lenders are less willing to modify or refinance.*

The Housing Resources of Western Colorado also commented that a "spike of unemployment due to withdrawal of energy exploration, gas/oil drilling, has exacerbated an already stressed market." Interviews with organizations in Vermont, Indiana, Oregon and Kentucky described a crisis fueled by growing unemployment that may lead to continuing waves of foreclosure. It is worth noting the fact that given the much more limited job markets in rural areas, from an industry-specific or service-based market to towns with a single large employer, an unemployed rural worker has less of a chance of quickly finding new employment.

Other Factors

Affordability is another force pushing some rural families toward foreclosure. In rural areas with hot housing markets, low-income populations have difficulty finding affordable housing options. NCALL, operating in Delaware witnesses this trend:

> *…our rural areas have HUD median incomes about 30 percent lower than our metro counties, yet housing costs are similar. Therefore, an affordability gap exists that is higher in our rural counties because of lower incomes but commensurate housing costs.*

In this situation, many people must stretch their incomes further to pay monthly mortgage fees and are more susceptible to volatility in their incomes or monthly payments.

A general overextension of consumer spending and debt is also at the heart of the crisis nationally. A foreclosure counselor at the Laconia Area Community Land Trust, Inc. of New Hampshire notes the following:

> *It has been my experience that most of the people seeking foreclosure intervention counseling come in thinking they cannot afford their home when in fact their housing ratio is right in line. It is the consumer debt that they are carrying that is the problem along with lack of a budget. Most of the people I see are spending way beyond their means.*

With burgeoning consumer debt payments bleeding homeowners of equity, many have borrowed against, and subsequently lost, their homes to pay off this consumer debt.

Types of Rural

The forces described above act in varying degrees of strength in different rural areas. Some trends do appear to exist, though, and are suggested in the following section, breaking out the strongest factors leading to foreclosure for a few defined categories of the rural housing market.

Rural Metropolitan

The rural metropolitan areas of the country include the some 30 million rural residents living in small towns within metropolitan counties. These are the rural Americans ignored when research uses the Census framework to study only nonmetropolitan counties as rural. The main difference between these areas and their nonmetropolitan counterparts is that these places obviously have a closer proximity to cities, which seems to influence the mix of causes of foreclosures in these areas.

As an example, NDS of Ohio deals with many rural areas in what are classified as metropolitan counties. Foreclosure counselors for NDS report a high instance of predatory subprime loans in these areas for borrowers who are now facing foreclosure. Also, in other areas of the country, it appears that proximity of rural areas to cities has resulted in higher instances of high-cost loans. It seems that predatory lenders, after exhausting much of the concentrated urban market, opened offices in the surrounding areas and aggressively marketed similar risky products to residents of rural towns. In rural metropolitan areas, although a mix of reasons for foreclosure exists, anecdotal evidence suggests that their proximity to urban areas resulted in a strong influence of bad loans in driving increased foreclosures. However, further research could seek to better measure just how far predatory lending was extended out of urban areas.

Rural Nonmetropolitan

Rural nonmetropolitan areas are the regions of the country typically measured as rural. They are characterized by having low densities and do not have large cities within a reasonable distance. Rural nonmetropolitan counties are of two types: hot housing markets and cold housing markets.

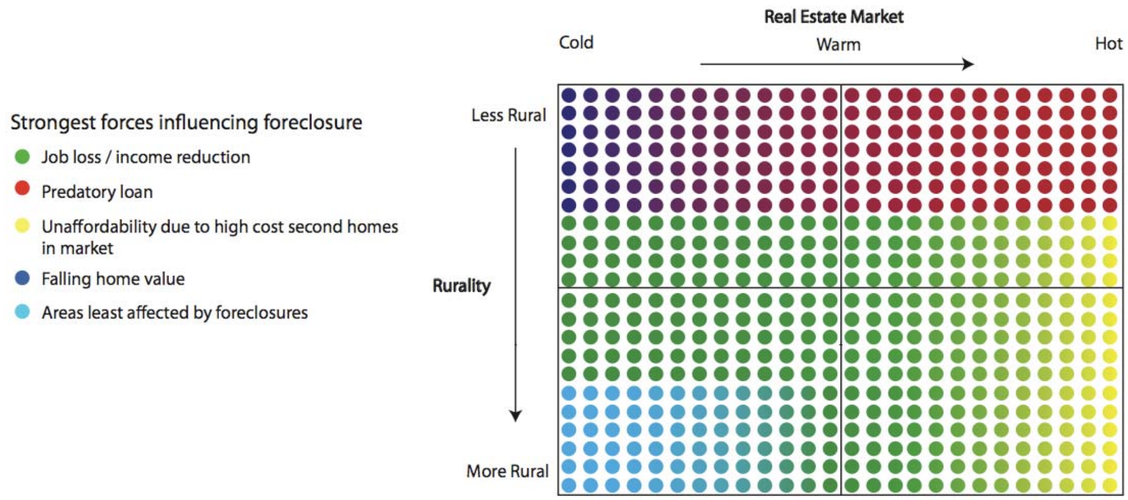
Rural nonmetropolitan areas with hot housing markets are typically those with an amenity that attracts a variety of homeowners. This amenity is often associated with the natural beauty and exceptional surroundings that characterize many rural areas, although other amenities may include proximity to a college or university, tourist attractions or other destinations. Often, these amenities attract high-income homeowners who purchase a second home there. The NHS of the Black Hills in South Dakota services areas with these traits. They report on the survey that, "Our service area is set in a place of environmental and aesthetic geography. Many homes are purchased as vacation houses. So many houses continue to be purchased despite the foreclosures." The housing problem most prevalent in these high amenity areas is an issue of affordability and available workforce housing. As reported by NHS Black Hills, housing prices remain strong in the area, despite greater hardships for the working population caused by unemployment and overspending. In these markets, affordable housing development is a key strategy in serving the low-income populations.

Cold rural nonmetropolitan markets are among the least affected by the foreclosure crisis in the country. These are areas both separated from and not integrated with urban areas, and largely persist on a very local scale. When researchers speculate about rural areas not being affected by the foreclosure sector, it is the opinion of the author that this is largely the sector they are considering. As an example, both CommunityWorks in West Virginia out of Charleston, W.V. and the HomeOwnership Center, Inc. in Elkins, W.V. report very low foreclosure rates in their service areas. According to the HomeOwnership Center, "Most foreclosures in the state have occurred in areas such as the higher priced housing markets in the eastern panhandle, which is within commuting distance to the northern Virginia and D.C./Baltimore metro areas, or within pockets of metro areas scattered around the state." While issues of unemployment and poverty persist in these areas, homeowners in isolated small towns appear to be immune to some of the forces influencing the foreclosure crisis.

Revisiting the Matrix

Ultimately, in many of these places the crisis involves a confluence of all these problems acting in various strengths. However, identifying priority causes in different types of rural areas can be beneficial for policy targeting. Looking back at the matrix, a representation of the strongest forces in different markets is suggested (Figure 4).

Figure 4: Rural-Urban/Housing Market Matrix with Foreclosure Causes



Impact

In addition to the devastating effects of foreclosures on the homeowner, a central problem of the crisis is the impact of concentrated foreclosures on entire communities. Concentrated foreclosures in urban areas foster devaluation, disinvestment, crime and homelessness, and it's unclear whether the same consequences occur in rural areas. While rural areas have been measured to have comparably high foreclosure rates, they have far fewer raw numbers of foreclosures and, in line with the housing density, are often far apart, potentially unable to effect the same widespread impacts on the larger communities. However, certain negative effects are still reported on small town communities as a result of increased foreclosures.

In the short term, the most immediate effects relate to the relocation of the evicted residents, because there has been a recent rise in rural homelessness. A survey on rural homelessness conducted by the National Coalition for the Homeless found that 49 percent of direct service providers estimated that more than 10 percent of their clients became homeless as a result of foreclosure (National Coalition for the Homeless 2009, 5). Further, the same study finds that overwhelmingly the most common post-foreclosure living situation is staying with friends or family, an occurrence confirmed by multiple interviews (National Coalition for the Homeless 2009, 6). "Doubling up" can have risks of its own, as it can sometimes conflict with the host's lease that could lead to eviction.

Community-wide impacts can occur, as well. Many rural communities, with such small populations, often struggle to provide basic services and infrastructure improvements and rely heavily on property taxes. When these revenues diminish due to foreclosures, public services such as waste removal or education may suffer. While many agree it is too early to see the full effect of the foreclosure increases on small towns, as revenues from property taxes continue to dry up, more severe effects become a possibility.

Finally, another concern expressed by rural practitioners was the potential for a rise in a new generation of rural slumlords. With the rock-bottom sale prices of foreclosed homes in rural areas and the limited ability of new homeowners or nonprofits to purchase them, there is a concern that investors will buy up inexpensive properties and convert them into cheap, substandard rentals. This consequence becomes particularly damaging, as the need for rental in rural areas will increase with more people falling out of homeownership.

VI. Responses

National Efforts

The largest responses to the foreclosure crisis have been at the federal level from the Housing and Economic Recovery Act (HERA) of 2008, and the American Recovery and Reinvestment Act (ARRA) of 2009. Together, these two bills have authorized over $5 billion in expenditures for the NSP, a nationwide effort to stabilize communities suffering from high numbers of foreclosures. Funds have been allocated to states and selected local governments, which in turn can allocate funds to nonprofits and consortiums of nonprofits that can be used for the purchase and redevelopment of foreclosed and abandoned homes. The awards were allocated based on a CDBG-like formula, based on an index intended to capture an area's need of assistance. The goal of the program is to limit the number of real estate owned (REO) properties in hard-hit areas to bolster the housing market and stimulate reinvestment in these communities. A first appropriation of $3.92 billion, "NSP1," was allocated beginning in October 2008, and an additional appropriation of $1.93 billion, "NSP2," had a grant application deadline of July 2009.

Additionally, the National Foreclosure Mitigation Counseling (NFMC) program has played a central role in the national effort to slow the rise of foreclosures. The goal of the NFMC program is to dramatically increase the availability of housing counselors to advise borrowers in danger of facing foreclosure. The program has been administered through NeighborWorks® America and has been executed by grants to national counseling intermediaries (HUD-certified), state Housing Finance Agencies and members of the NeighborWorks® Network. Since February 2008, over $400 million has been appropriated to NFMC.

From the list of grantees for both NFMC and NSP funds,[11] one can measure the allocation to rural areas. First, it is important to understand that, due to the nature of the program, NSP funds are more targeted at the urban problem. The program seeks to combat the negative effects of high numbers of concentrated vacant homes in order to sustain the housing market, and many rural areas have cold markets where vacant homes more often sit unpurchased for extended periods of time; thus, the goal of NSP is not a strong fit for rural areas.

[11] Available at http://www.nw.org/network/nfmcp/ and www.hud.gov/**nsp**/, respectively.

As shown in Table 5, rural counties received no targeted funds, and mixed rural counties received 4.7 percent of the funding allocation. States were allocated 53 percent of total funds and given the authority to allocate them as needed, but it is unclear how states have chosen to do this. They are encouraged to target it at "areas of greatest need" and are not barred from distributing to areas that have received grants of their own.[12] Anecdotally, most NWOs reported that they were allocated few, if any, NSP funds to purchase foreclosed homes. NeighborWorks® of Western Vermont reported as of July 2009 that they had money to fund the purchase of 55 homes for the entire state, in a state with an estimated 4,000 foreclosures according to the NSP1 dataset intended to inform this allocation.

Table 5:

NSP 1 Grants, September 2008

	Grant Amount	Allocation (%)
Total	**$3,920,000,000**	**100.0%**
Statewide	$2,058,703,977	52.5%
Cities	$1,060,893,529	27.1%
Counties	$800,402,494	20.4%
Urban	*$475,795,973*	*12.1%*
Mixed Rural	*$183,548,767*	*4.7%*
Mixed Urban	*$141,057,754*	*3.6%*
Rural	*$0*	*0.0%*

Source: NSP 1 Local allocations at http://www.huduser.org/Datasets/nsp.html.

NFMC funds, on the other hand, were allocated based on an application process, in which reviewers from NeighborWorks®, in addition to external reviewers, awarded grants to specific NWOs, intermediaries and Housing Finance Agencies. While we can only report on grants to NWOs (less than 15 percent of total funds), about 20 percent of those went to rural-serving groups.

Rural Service Delivery Channels

The allocation of this federal funding to rural housing needs well illustrates the service delivery channels in rural America. The federal USDA Rural Development (RD) branch has served rural America for the past 30 years providing a variety of loans and services, but has been experiencing a consolidation of offices recently due to budget cuts. These coverage gaps have been filled in recent years by a growing network of rural CDCs and intermediaries. Developing on a local scale, rural CDCs have been very successful in extending credit to local residents and providing basic financial services. The rural intermediary HAC speaks to this success in its June 2009 publication *Housing in Rural America*:

One bright spot in the current housing situation are the efforts of nonprofit housing

[12] For a more detailed look at the NSP grant allocation methodology, please visit: http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspfa_methodology.pdf.

> *organizations that continue to meet the housing needs of low-income residents. Across the nation, there are up to 1,000 local housing nonprofits working in rural communities. Some nonprofits administer statewide or even regional development plans, while others serve a single community. In many instances, these local nonprofit organizations are the only entities providing affordable housing for low-income people in their communities.*

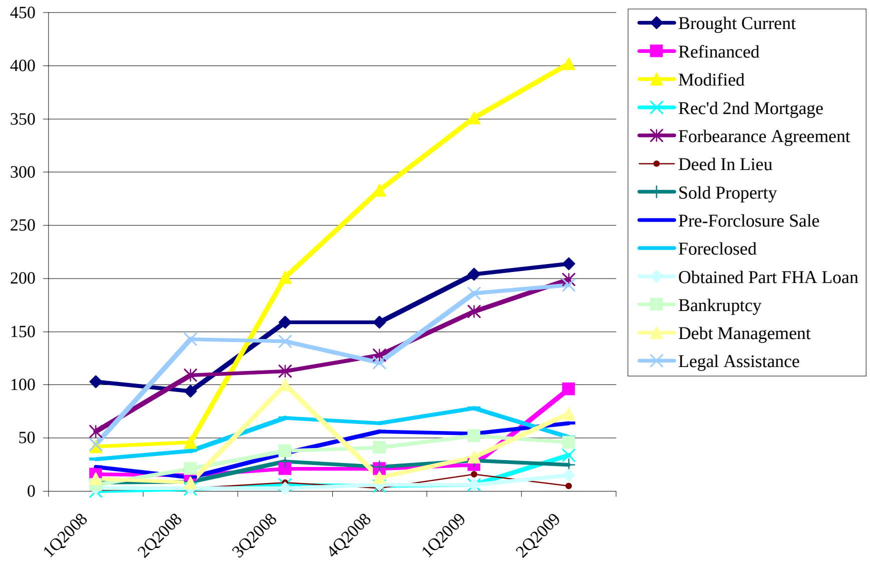
In addition to USDA RD and CDCs, members of the Community Action Partnership (CAP) play an important role in rural America. CAP has a large rural coverage area, and includes approximately 1,000 Community Action Agencies (CAAs) in the country, with 54 percent serving rural areas and an additional 36 percent that serve areas considered both urban and rural. CAAs offer a range of services targeting low-income individuals, including community organizing, emergency services, along with various education programs. Through the work of RD, CDCs, CAP agencies, and other rural players, rural residents have access to local, mission-driven stakeholders aiding them with what are for many increasingly difficult lifestyles.

Local Efforts

Responses from rural CDCs to the foreclosure crisis mainly revolve around operating the NSP and NFMC programs. Many organizations had never offered foreclosure counseling prior to the first NFMC grants in 2008, and they continue with their other lines of business in addition to the counseling. Most offices reported about one to three full-time employees conducting the counseling, who were more often than not swamped with calls. The counselors work with homeowners on a case-by-case basis to determine the cause of default and the potential means one has to remain in their home. Essentially, in the words of John Wiltse of PathStone Inc. in Rochester, N.Y., the point is to get people out of a bad situation where they're doomed to lose their homes.

Depending on one's financial situation, a variety of outcomes is possible. The most popular by far is a modification of the loan's initial terms. This action is particularly helpful for borrowers with adjustable rate mortgages (ARMs) that matured to payments the borrower could never afford. Counselors work with borrowers to work out a payment and budget plan that is then submitted to the servicer. NWOs expressed much frustration from negotiating with services, but have also reported increasing ease in modifying loans with servicers, as is evident in Figure 5. In the event a homeowner loses a job and faces the prospect of a long unemployment, though, modification will not be likely and another means to avoid foreclosure is necessary. Other methods used in varying degrees are forbearance agreements, deed-in-lieu, sales and short sales, depending on the market and a borrower's financial and employment situations. Below is a quarterly time series of NWA data showing outcomes reported from rural-serving NWOs. As can be seen, loan modification has become the most common method of keeping at-risk homeowners in their homes.

Figure 5: Default Outcomes for Rural NeighborWorks Organizations



Source: Internal NWA data.

VII. Recommendations

Already, the rural foreclosure crisis has deeply entangled many aspects of rural lifestyles. The housing crisis has incited other financial, credit and standard of living problems, and these forces acting together have driven many rural residents into deep holes. While acknowledging the complex factors involved in the foreclosure crisis, this section attempts to for a moment disentangle this web and focus on the sole objective of mitigating foreclosures. With this aim, the following recommendations are offered.

Extend Homebuyer Education Efforts

As nationwide foreclosures continue to rise, a rethinking of the American Dream as achieved through homeownership may be appropriate. Most can agree at this point that homeownership is beneficial for those who can afford to bear the cost burdens, but, keeping this in mind, homeownership is still a good asset-building strategy to buffer against income shocks, particularly important for marginal rural populations. However, as has become wholly clear, management of this asset must be complemented by a steady income and feasible budget. Americans have a problem with overspending, and increased homebuyer and financial education are necessary to train a new generation of responsible homeowners.

However, due to the low population and housing density of rural areas, many CDCs cover large, multicounty service areas, including areas as large as entire states. Such wide coverage adds a sometimes considerable cost for interested residents to meet in person. To compensate for this extended distance to service providers, alternate delivery methods of homebuyer education can help educate a wider number of rural residents. A resource developed to this end is eHomeAmerica.org, an online homebuyer education program developed as a partnership between NeighborWorks® America and Community Ventures

Corporation of Kentucky. Expanded use of this resource along with stronger housing education programs can help strengthen new generations of educated homebuyers.

Encourage a Diversity of Rural Housing Options

When homeownership does not seem to be the best option for a person or family due to income or credit restraints, a diversity of rural housing options becomes important. However, because of the nature of rural housing, few rental options are available in many areas, and, where available, options might be substandard. Thus, a wider range of housing options is necessary, not only for those needing to abandon their mortgages, but also for any resident for whom homeownership is not a viable option. A more diverse housing supply could ameliorate the homelessness and "doubling up" previously discussed and alleviate high monthly payment burdens for those who cannot afford them.

In broadening and strengthening a rural rental market, rural CDCs can take various initiatives to increase the supply of rural rental housing, such as through acquisition of properties to be converted to long-term affordable rental or lease-purchase. To this end, a greater allocation of NSP funds to rural areas would support such redevelopment. While many rural CDCs currently lack the capacity to own and operate affordable rental units, an effort to increase capacity may prove relevant if rural rentals continue to gain importance.[13] Also, CDCs can work with local authorities to support stricter code enforcement to ensure that rental units meet certain standard of living requirements.

Another affordable housing option in rural areas is manufactured housing. While manufactured housing rentals may be among the cheapest options in the country, a new model of manufactured housing tenure is capitalizing on this affordability. Resident-Owned Communities, or ROC USA, is a nonprofit organization that helps residents purchase their manufactured home communities from private owners. This community ownership allows for a preservation of affordability and protection against eviction or sale of the park. Through creative arrangements like this in addition to more traditional communities, manufactured housing provide a cheap, viable rental solution for rural areas and should be considered as a tool for such.

Continue to Stabilize Currently Troubled Homeowners

The current nationwide foreclosure mitigation efforts must continue. Foreclosure numbers remain high nationwide and, as the economy continues to shed jobs, more and more people face added hardships impeding their ability to stay up to date on their mortgages. Keeping people in their homes remains the largest concern in rural America, and the foreclosure counseling is reported to be increasingly more successful in this goal.

In the short term, continued loan modification efforts with servicers are critical. In addition, rural service providers should consider moving borrowers into federally backed loans when possible. For example, USDA products such as Section 502 loans can be used

[13] For a useful framework for determining development strategies for one- to four-unit REOs, see Fleischman, Daniel. "Nonprofit Strategies for 1- to 4-Unit REO Properties: An Analytical Framework." Joint Center for Housing Studies. February 2009.

toward purchase, improvement or refinancing. Section 502 loans carry fixed interest rates and are a reliable option for very low-income rural families.

In the long term, an increased effort to preserve the housing stock for future generations can help sustain rural markets. Weatherization programs offered by many local CDCs save homeowners money on costly energy bills in the short term, and increase the value of homes in the long term. Thus, CDCs not currently offering weatherization incentives may want to investigate these opportunities further. Particularly, USDA Section 502 loans can also be used for weatherization improvements.

Finally, rescue funds, loan funds capitalized by a consortium of local financial institutions or through state appropriations, are used to provide small loans or grants to individuals needing a short-term lifeline to make their next mortgage payment. Borrowers with temporary income shocks such as medical costs or other short-term cost burdens benefit from rescue funds. The rescue fund is a helpful tool, and rural areas housing borrowers with frequent similar situations may want to investigate how to capitalize a rescue fund.

VIII. Conclusion

The foreclosure crisis has indeed affected rural America. A unique crisis in its own right, the situation in rural areas reflects the larger economic issues of the country. Many rural Americans have simply been unable to keep up with rising living, housing and transportation costs on low, lessening and absent incomes. The problem in rural America extends beyond predatory lenders and inflated home prices; it is an issue of a population's continued marginalization in a transforming, urbanizing world in which rural residents are unable to keep up with basic living costs on the incomes they are able to secure. As opposed to the somewhat contained, high-impact nature of the urban foreclosure crisis, the rural crisis is a sharper dip in what is becoming an increasingly fast decline. Further, due to limited outside attention and clarity, it will be more difficult and take longer for rural areas to attract the necessary resources to recover.

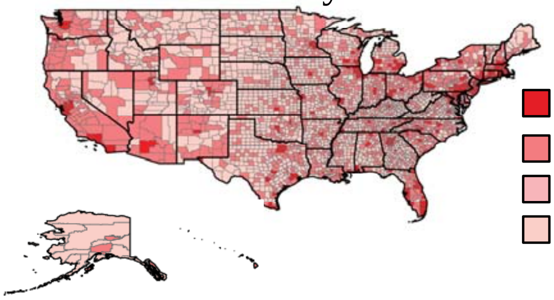
Additionally, a decrease in investment from both federal and philanthropic sources (HAC 2009, 3) necessitates the largest need in rural America, increased capitalization. Job creation, home stability and improved services are all reliant on outside investment, because much wealth has retreated from rural areas. Toward this goal, renewed, creative federal assistance and incentive programs in stimulating private investment are necessary. In addition, a continued collaboration between federal, state and local governments and rural nonprofit networks will best facilitate such interventions.

Finally, a tangential yet important point that must be emphasized is that this study has been hampered by a lack of data on rural lending and housing trends. A clear need exists for assistance for rural areas from public, private and nonprofit agencies, and a dearth in rural data is the broken link connecting the sources of aid and the people who are in need of it. A more quantitative analysis of this topic is warranted, and, with increased electronic and broadband coverage, a streamlined process of rural data collection remains critical and becomes more feasible.

Rural America is home to over 50 million Americans and represents the history of this country in the face of an ever-changing landscape. It is where many of us come from, and where many of us will go in the later years of our lives. To these people who prefer the familiarity of neighbors, calmer lifestyles and hometown feel of rural areas, the promise of stabilized, empowered rural American communities is one worth preserving.

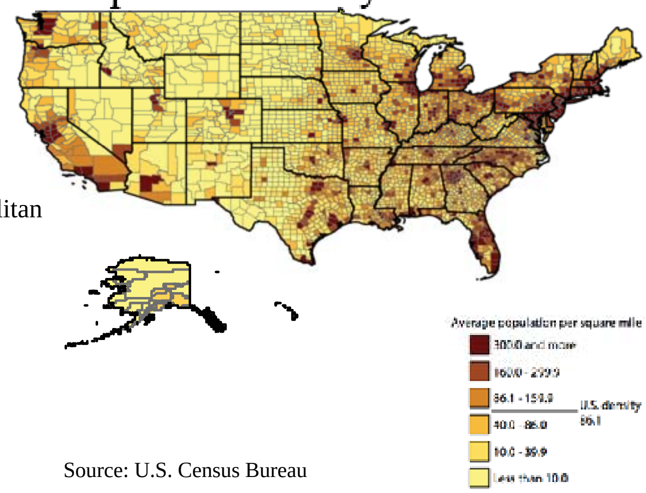
IX. Rural Definitions

Rural-Urban Density



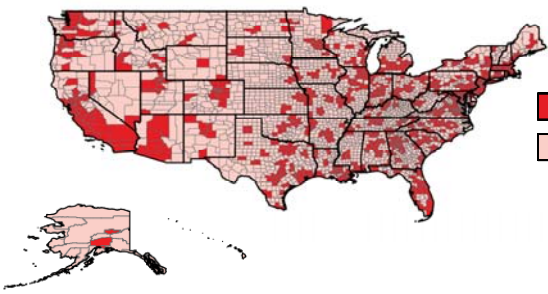
Urban
Mixed urban
Mixed rural
Rural

U.S. Population Density



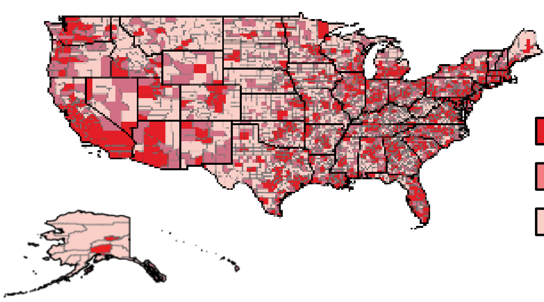
Source: U.S. Census Bureau

Census



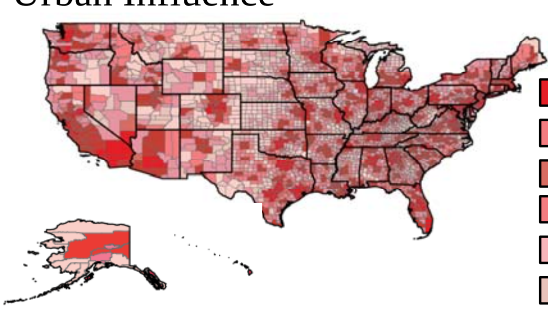
Metropolitan
Nonmetropolitan

OMB



Metropolitan
Micropolitan
Noncore

Urban Influence



In large metro
In small metro
In micro
Adjacent to large metro
Adjacent to small metro
Adjacent to micro
Not adjacent

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XI. Interviews

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